ALLIANCE INSURANCE P.S.C.

Review report and interim financial information for the period ended 30 June 2014

ALLIANCE INSURANCE P.S.C.

Contents	**Pages**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Alliance Insurance P.S.C.
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed statement of financial position of **Alliance Insurance P.S.C. (the "Company"), Dubai, United Arab Emirates,** as at 30 June 2014 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: *"Interim Financial Reporting"*.

Other Matter

The financial statements of the Company for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 19 February 2014. Furthermore, the interim financial information of the Company for the period from 1 January 2013 to 30 June 2013 were reviewed by another auditor who expressed an unmodified conclusion on 30 July 2013.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
7 August 2014

Condensed statement of financial position at 30 June 2014

	Notes	30 June 2014 AED (unaudited)	31 December 2013 AED (audited)
ASSETS			
Non-current assets			
Property and equipment	5	3,274,933	3,234,011
Investment properties	6	179,669,600	179,669,600
Investments designated at fair value through other comprehensive income (FVTOCI)	7	19,218,129	32,255,892
Financial investments at amortized cost	7	86,362,680	36,070,067
Policyholders' loans		46,598,612	47,334,317
Financial assets – deposits at amortized cost	7	33,270,454	34,051,007
Statutory deposit	8	10,000,000	10,000,000
Total non-current assets		378,394,408	342,614,894
Current assets			
Re-insurance contract assets	9	106,400,347	51,201,963
Insurance and other receivables		96,140,935	64,877,142
Financial assets – deposits at amortized cost	7	650,347,713	681,074,365
Cash and cash equivalents	10	23,417,452	26,671,117
Total current assets		876,306,447	823,824,587
Total assets		1,254,700,855	1,166,439,481
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	100,000,000	100,000,000
Statutory reserve	12	56,742,450	56,742,450
Regular reserve	13	47,153,250	47,153,250
General reserve	14	165,000,000	160,000,000
Cumulative change in fair value of securities		516,633	(6,235,086)
Retained earnings		28,936,937	35,359,714
Total equity		398,349,270	393,020,328
Non-current liabilities			
Provision for employees' end of service indemnity		4,608,857	4,826,891
Policyholders' funds		591,040,231	577,807,552
Total non-current liabilities		595,649,088	582,634,443
Current liabilities			
Insurance contract liabilities	9	137,891,002	76,534,754
Insurance and other payables		122,811,495	114,249,956
Total current liabilities		260,702,497	190,784,710
Total liabilities		856,351,585	773,419,153
Total equity and liabilities		1,254,700,855	1,166,439,481

Sheikh Ahmed Bin Saeed Al Maktoum
Chairman

Juma Saif Rashid Bin Bakhit
Vice- Chairman

Aimen Saba Azara
Director and Gerneral Manager

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of income (unaudited)
for the period ended 30 June 2014

	Notes	Three month period ended 30 June 2014 AED	Three month period ended 30 June 2013 AED (restated)	Six month period ended 30 June 2014 AED	Six month period ended 30 June 2013 AED (restated)
Net underwriting profit – General		**1,942,956**	5,607,180	**7,623,150**	8,282,036
Interest income on deposits – General		**2,219,232**	2,441,323	**4,804,549**	4,962,204
Income from investment property (net)		**1,336,868**	1,155,030	**2,634,862**	2,423,659
Profit from investment activities		**555,290**	233,349	**1,116,778**	827,106
Other income		**984,006**	379,982	**1,770,166**	808,392
Profit from general insurance business	**18**	**7,038,352**	9,816,864	**17,949,505**	17,303,397
Surplus transferred from long- term business (life) account		**2,373,050**	2,523,799	**5,078,267**	5,687,751
Profit for the period		**9,411,402**	12,340,663	**23,027,772**	22,991,148
Basic earnings per share	**15**	**9.41**	12.34	**23.03**	22.99

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of comprehensive income (unaudited)
for the period ended 30 June 2014

	Notes	Three month period ended 30 June 2014 AED	Three month period ended 30 June 2013 AED (restated)	Six month period ended 30 June 2014 AED	Six month period ended 30 June 2013 AED (restated)
Profit for the period		**9,411,402**	12,340,663	**23,027,772**	22,991,148
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Net fair value (loss)/gain on investments designated at FVTOCI		**(5,357,199)**	5,194,521	**2,868,375**	6,222,938
Gain on sale of investments designated at FVTOCI		**4,432,795**	-	**4,432,795**	183,326
Total other comprehensive (loss)/ income for the period		**(924,404)**	5,194,521	**7,301,170**	6,406,264
Total comprehensive income for the period		**8,486,998**	17,535,184	**30,328,942**	29,397,412

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of changes in equity
for the period ended 30 June 2014

	Share capital AED	Statutory reserve AED	Regular Reserve AED	General reserve AED	Cumulative change in fair value of securities AED	Retained earnings AED	Total AED
Balance at 31 December 2012 (audited)	100,000,000	52,316,417	42,727,217	140,000,000	(18,012,687)	35,797,863	352,828,810
Profit for the period (restated)	-	-	-	-	-	22,991,148	22,991,148
Other comprehensive income for the period	-	-	-	-	6,222,938	-	6,222,938
Gain on sale of investments designated at FVTOCI	-	-	-	-	183,326	-	183,326
Total comprehensive income for the period (restated)	-	-	-	-	6,406,264	22,991,148	29,397,412
Dividend (Note 16)	-	-	-	-	-	(15,000,000)	(15,000,000)
Reclassification of reserve on disposal of investments designated at FVTOCI	-	-	-	-	238,249	(238,249)	-
Transfer to statutory reserve (restated)	-	2,299,115	-	-	-	(2,299,115)	-
Transfer to regular reserve (restated)	-	-	2,299,115	-	-	(2,299,115)	-
Transfer to general reserve	-	-	-	20,000,000	-	(20,000,000)	-
Balance at 30 June 2013 (unaudited-restated)	100,000,000	54,615,532	45,026,332	160,000,000	(11,368,174)	18,952,532	367,226,222

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of changes in equity
for the period ended 30 June 2014 (continued)

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Cumulative change in fair value of securities AED	Retained earnings AED	Total AED
Balance at 31 December 2013 (audited)	100,000,000	56,742,450	47,153,250	160,000,000	(6,235,086)	35,359,714	393,020,328
Profit for the period	-	-	-	-	-	23,027,772	23,027,772
Other comprehensive income for the period	-	-	-	-	2,868,375	4,432,795	7,301,170
Total comprehensive income for the period	-	-	-	-	2,868,375	27,460,567	30,328,942
Dividend (Note 16)	-	-	-	-	-	(25,000,000)	(25,000,000)
Reclassification of reserve on disposal of investments designated at FVTOCI	-	-	-	-	3,883,344	(3,883,344)	-
Transfer to general reserve	-	-	-	5,000,000	-	(5,000,000)	-
Balance at 30 June 2014 (unaudited)	**100,000,000**	**56,742,450**	**47,153,250**	**165,000,000**	**516,633**	**28,936,937**	**398,349,270**

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of cash flows (unaudited)
for the period ended 30 June 2014

	Six month period ended 30 June	
	2014	2013
	AED	AED
		(restated)
Cash flows from operating activities		
Profit for the period	**23,027,772**	22,991,148
Adjustments for:		
Depreciation of property and equipment	**136,304**	104,939
Increase in policyholders' fund	**13,232,679**	19,042,292
Income from deposits	**(14,521,753)**	(15,205,740)
Income from debt securities	**(2,888,110)**	(1,467,661)
Dividend income on securities	**(1,012,241)**	(1,007,653)
Interest on policyholders' loans	**(876,502)**	(40,590)
Income from investment properties	**(7,038,367)**	(6,669,672)
Amortization on financial investments	**(46,857)**	-
Provision for employees' end of service indemnity	**168,907**	482,249
Operating cash flows before changes in operating assets and liabilities	**10,181,832**	18,229,312
Increase in insurance and other receivables	**(30,569,707)**	(37,631,959)
Increase in reinsurance contract assets	**(55,198,384)**	(15,801,684)
Increase in insurance contract liabilities	**61,356,248**	16,693,604
Increase in insurance and other payables	**10,181,667**	37,727,144
Cash (used in)/generated from operations	**(4,048,344)**	19,216,417
Employees' end of service indemnity paid	**(386,941)**	(199,047)
Net cash (used in)/generated from operating activities	**(4,435,285)**	19,017,370
Cash flows from investing activities		
Purchase of property and equipment	**(177,226)**	(270,499)
Net decrease/(increase) in policyholders' loans	**1,612,207**	(1,050,422)
Proceeds from disposal of financial assets	**20,338,933**	3,818,114
Purchases of financial investments at amortised cost	**(50,245,756)**	(23,419,917)
Income received on deposits	**11,113,958**	10,246,055
Income received from debt securities	**2,194,024**	1,344,490
Dividend income received	**1,012,241**	1,007,653
Deposits encashed during the period	**34,915,000**	-
Income from investment properties	**5,418,239**	6,669,672
Net cash generated from/(used in) investing activities	**26,181,620**	(1,654,854)
Cash flows from financing activities		
Dividends paid	**(25,000,000)**	(15,000,000)
Net cash used in financing activities	**(25,000,000)**	(15,000,000)
Net (decrease)/increase in cash and cash equivalents	**(3,253,665)**	2,362,516
Cash and cash equivalents at the beginning of the period	**26,671,117**	16,878,392
Cash and cash equivalents at the end of the period	**23,417,452**	19,240,908
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The accompanying notes form an integral part of these condensed financial statements.

Notes to the condensed financial statements
for the period ended 30 June 2014

1. General information

Alliance Insurance P.S.C. (the "Company") is a Public Shareholding Company which was originally established in Dubai on 1 July 1975 as a limited liability company under the name of Credit and Commerce Insurance Company. The Company was subsequently incorporated in Dubai on 6 January 1982 as a limited liability company under an Emiri Decree. The Company became a Public Shareholding Company in January 1995, in accordance with the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended).

The Company underwrites all classes of general, life and health insurance business in accordance with the provisions of the UAE Federal Law No. 6 of 2007 relating to establishment of Insurance Authority and Organization of its Operations and executive regulations of 2010.

The registered address of the Company is Warba Centre, P.O. Box 5501, Dubai, UAE.

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs applied with no material effect on the condensed financial statements

The following new and revised IFRSs have been adopted in these condensed financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IAS 36 – recoverable amount disclosures The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.	1 January 2014
• IFRIC 21 – Levies Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities. On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs.	1 January 2014

Notes to the condensed financial statements
for the period ended 30 June 2014 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted

The Company has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 19 *Employee Benefits* clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014
• Annual Improvements to IFRSs 2010 - 2012 Cycle ▪ IFRS 2 Share Based Payments - definition of 'vesting condition'. ▪ IFRS 3 Business Combinations - accounting for contingent consideration. ▪ IFRS 8 Operating Segments - aggregation of segments, reconciliation of segment assets. ▪ IAS 16 Property Plant and Equipment - proportionate restatement of accumulated depreciation on revaluation. ▪ IAS 24 Related Party Disclosures - management entities. ▪ IAS 38 Intangible Assets - proportionate restatement of accumulated amortization on revaluation.	1 July 2014
• Annual Improvements to IFRSs 2011 - 2013 Cycle ▪ IFRS 1 First Time Adoption of International Financial Reporting Standards - meaning of effective IFRSs. ▪ IFRS 3 Business Combinations - scope exception for joint ventures. ▪ IFRS 13 Fair Value Measurement - scope of the portfolio exception. ▪ IAS 40 Investment Property - interrelationship between IFRS 3 and IAS 40.	1 July 2014
Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016

Notes to the condensed financial statements for the period ended 30 June 2014 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.	
Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, *"Interim Financial Reporting"* and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

These condensed financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties.

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2013.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2013. In addition, results for the six month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

Notes to the condensed financial statements
for the period ended 30 June 2014 (continued)

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

The accounting policies in respect of investment properties, investment in securities and property and equipment disclosed in the annual audited financial statements are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

3.2 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses, except land which is recorded at cost less impairment losses, if any. Depreciation is charged on straight-line basis over the estimated useful lives of the property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

The rates of depreciation used are based on the following estimated useful lives of the assets.

	Years
Furniture and fixtures	4
Office equipment	4
Motor vehicles	4

3.2.1 Impairment testing of property and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, such as market and asset-specific risks factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the condensed financial statements
for the period ended 30 June 2014 (continued)

3. Summary of significant accounting policies (continued)

3.3 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Subsequent to initial recognition, investment properties are accounted for using the fair value model.

Investment properties are revalued at each reporting period and are included in the statement of financial position at their fair values determined by the independent valuer. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within income from investment property. Rental income and operating expenses from investment property are reported in 'Income from investment property' on net basis.

3.4 Financial instruments

3.4.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs except for those carried at fair value through profit or loss, which are measured initially at fair value. Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured subsequently as described below.

3.4.2 Classification and subsequent measurement of financial assets

The Company classifies its financial assets as investments at fair value through other comprehensive income ('FVTOCI') and loans and receivables' at amortised cost. The classification depends on the nature of these investments.

3.4.3 Investments at fair value through other comprehensive income (`FVTOCI')

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. They are initially recognised at fair value.

Notes to the condensed financial statements
for the period ended 30 June 2014 (continued)

3.4 Financial instruments (continued)

3.4.4 Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date.

3.4.5 Gains and losses on subsequent measurement

Gain and loss arises from change in fair value of investments at FVTOCI are recognised in other comprehensive income and reported within the cumulative change in fair value of securities within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to income statement and directly taken to retained earnings.

3.4.6 De-recognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or surrendered. A financial liability is derecognised when it is extinguished. The Company uses the specific identification method to determine the gains or losses on de-recognition.

3.4.7 Financial assets at amortised cost

Investments in financial instruments which comprise of short and long term deposits, financial investments, and most other receivables are measured at amortised cost using the effective interest method. These instruments comprise of short and long term deposits placed with various banks. Discounting is omitted where the effect of discounting is immaterial.

4. Critical accounting judgements and key sources of estimation of uncertainty

The preparation of condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2013.

5. Property and equipment

All property and equipment are located in U.A.E.

6. Investment properties

Investment properties represent the fair value of two commercial buildings located in U.A.E.

In the opinion of the management, there has been no change in the fair value of investment properties since 31 December 2013.

Notes to the condensed financial statements
for the period ended 30 June 2014 (continued)

7. Financial investments

7.1 Financial assets – deposits at amortized cost

	30 June 2014 AED (unaudited)	31 December 2013 AED (audited)
Short term deposits with banks in U.A.E.	**635,588,125**	670,503,125
Accrued interest	**14,759,588**	10,571,240
	650,347,713	681,074,365
Long term deposits with banks in U.A.E.	**33,005,000**	33,005,000
Accrued interest	**265,454**	1,046,007
	33,270,454	34,051,007
	683,618,167	715,125,372

Deposits comprise of fixed deposits with various banks bearing annual interest rates ranging from 2.5% to 5.25% (31 December 2013 from 1.20% to 5.25%).

7.2 At fair value through other comprehensive income (FVTOCI):

	30 June 2014 AED (unaudited)	31 December 2013 AED (audited)
Quoted equity securities in U.A.E.	**8,658,171**	22,016,828
Quoted funds outside U.A.E.	**10,517,608**	10,196,714
Unquoted equity securities in U.A.E.	**42,350**	42,350
	19,218,129	32,255,892

7.3 Financial investment at amortised cost:

	30 June 2014 AED (unaudited)	31 December 2013 AED (audited)
Quoted bonds issued by local banks in UAE*	**50,228,914**	-
Un quoted bonds issued by local banks in UAE	**36,133,766**	36,070,067
	86,362,680	36,070,067

Notes to the condensed financial statements for the period ended 30 June 2014 (continued)

7. Financial investments (continued)

7.3 Financial investment at amortised cost (continued):

The bonds carry interests at coupon rates of 5% to 6.25% per annum and interest is payable semi-annually. The Company holds these investments with the objective of receiving the contractual cash flows over the instruments life.

*The fair value of quoted bonds measured at amortised cost of AED 50.2 million as at 30 June 2014 amounts to AED 49.7 million.

8. Statutory deposit

Statutory deposit represents fixed deposits with a bank under lien against the guarantees issued in favour of Insurance Authority of U.A.E. in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its operations.

9. Insurance contract liabilities and re-insurance contract assets

	30 June 2014 AED (unaudited)	31 December 2013 AED (audited)
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**32,770,909**	16,118,960
Claims incurred but not reported	**2,711,972**	2,934,749
Unearned premiums	**99,968,780**	55,054,191
Deferred acquisition cost	**2,439,341**	2,426,854
Total insurance contract liabilities - gross	**137,891,002**	76,534,754
Recoverable from re-insurers		
Claims reported unsettled	**22,260,391**	7,066,552
Unearned premiums	**84,139,956**	44,135,411
Total re-insurers' share of insurance contract liabilities	**106,400,347**	51,201,963
Insurance contract liabilities - net		
Claims reported unsettled	**10,510,518**	9,052,408
Claims incurred but not reported	**2,711,972**	2,934,749
Unearned premiums	**15,828,824**	10,918,780
Deferred acquisition cost	**2,439,341**	2,426,854
	31,490,655	25,332,791

Notes to the condensed financial statements
for the period ended 30 June 2014 (continued)

10. Cash and cash equivalents

	30 June 2014 AED (unaudited)	31 December 2013 AED (audited)
Cash on hand	**73,215**	886,490
Current accounts with banks	**23,344,237**	25,784,627
	23,417,452	26,671,117

Bank balances are maintained with banks in U.A.E.

11. Share capital

	30 June 2014 AED (unaudited)	31 December 2013 AED (audited)
Issued and fully paid:		
1,000,000 ordinary shares of AED 100 each		
(2013: 1,000,000 ordinary shares of AED 100 each)	**100,000,000**	100,000,000

12. Statutory reserve

In accordance with the Company's articles of association and U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of minimum of 10% of the Company's annual profit. As per the Company's Articles of Association, such transfers are required until the balance of the statutory reserve is equal to 100% of the Company's share capital.

13. Regular reserve

In accordance with the Company's Articles of Association, at least 10% of the Company's annual profit must be transferred to a regular reserve. Such transfers are required until the balance on this reserve equal to 100% of the Company's share capital, or until the transfer is suspended by resolution of the shareholders.

14. General reserve

The Board of Director approved the transfer of AED 5,000,000 in 2014 (2013: AED 20,000,000) to general reserve which can be utilised for any purpose approved by the shareholders as per the Articles of Association of the Company.

Notes to the condensed financial statements
for the period ended 30 June 2014 (continued)

15. Basic earnings per share

	Three months period ended 30 June		Six months period ended 30 June	
	2014 (unaudited)	2013 (unaudited) (restated)	**2014 (unaudited)**	2013 (unaudited) (restated)
Profit for the period attributable to shareholders (in AED)	**9,411,402**	12,340,663	**23,027,772**	22,991,148
Number of shares	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Basic earnings per share (in AED)	**9.41**	12.34	**23.03**	22.99

16. Dividend

At the Annual General Meeting held on 27 March 2014, the Shareholders approved a cash dividend of 25% which is AED 25 per share amounting to AED 25,000,000 for 2013 (2012: 15% which is AED 15 per share amounting to AED 15,000,000).

17. Related party transactions

Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

Transactions:

During the period, the Company entered into the following transactions with related parties:

	Three months period ended 30 June		Six months period ended 30 June	
	2014 AED (unaudited)	2013 AED (unaudited)	**2014 AED (unaudited)**	2013 AED (unaudited)
Premium	**897,608**	1,075,915	**3,107,487**	3,091,630
Directors' and key management personnel remuneration including benefits	**306,163**	239,885	**585,042**	505,583
Claims paid	**191,499**	317,462	**328,829**	808,840

Transactions with related parties are not significantly different from those that could be obtained from third parties.

Notes to the condensed financial statements for the period ended 30 June 2014 (continued)

18. Segment information

For management purposes, the Company is organised into two business segments, general insurance and life assurance. The general insurance segment comprises motor, marine, fire, engineering, medical, group life, and general accident. The life assurance segment includes only long term life. These segments are the basis on which the Company reports its primary segment information. No transactions were conducted between the segments.

During the period the Company revisited the segmental classifications and accordingly have reclassified the medical and group life into general division which were earlier included in life division.

The above changes have been reflected in the comparative information presented for 2013 in these condensed financial statements.

Segmental information is presented below:

Notes to the condensed financial statements
for the period ended 30 June 2014 (continued)

18. Segment information (unaudited)

	30 June 2014			30 June 2013		
	Life Division AED (unaudited)	**General Division AED (unaudited)**	**Total AED (unaudited)**	Life Division AED (unaudited) (restated)	General Division AED (unaudited) (restated)	Total AED (unaudited) (restated)
Gross premium	**51,645,451**	**148,682,244**	**200,327,695**	51,357,188	142,316,969	193,674,157
Net underwriting income	**1,150,877**	**7,623,150**	**8,774,027**	7,928,146	8,282,036	16,210,182
Interest income on deposits	**9,717,204**	**4,804,549**	**14,521,753**	10,243,536	4,962,204	15,205,740
Income from investment property (net)	**4,403,505**	**2,634,862**	**7,038,367**	4,246,013	2,423,659	6,669,672
Profit from investment activities	**2,830,430**	**1,116,778**	**3,947,208**	1,648,208	827,106	2,475,314
Other income	**208,930**	**1,770,166**	**1,979,096**	361,289	808,392	1,169,681
	18,310,946	**17,949,505**	**36,260,451**	24,427,192	17,303,397	41,730,589
Surplus transferred to policy holders' fund	**(13,232,679)**	**-**	**(13,232,679)**	(18,739,441)	-	(18,739,441)
Net surplus (life)/net income (general)	**5,078,267**	**17,949,505**	**23,027,772**	5,687,751	17,303,397	22,991,148
Segment assets	**730,154,040**	**524,546,815**	**1,254,700,855**	671,168,436	494,408,398	1,165,576,834
Segment liabilities	**670,255,374**	**186,096,211**	**856,351,585**	571,464,484	226,886,127	798,350,611

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19. Commitments and contingent liabilities

	30 June 2014 AED (unaudited)	31 December 2013 AED (audited)
Letters of guarantees	**11,144,290**	11,127,018

As at the end of the reporting period, there were certain legal cases pending in different courts in U.A.E against the Company having an aggregated claims amount to AED 1.1 million (2013: AED 0.6 million). The legal counsel is confident that these legal cases will be judged in favour of the Company.

20. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

20.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed financial statements approximate their fair values except for financial investments measured at amortised cost of which fair value is determined based on the quoted market prices and disclosed in note 7.3 of these condensed financial statements.

20.2 Fair value of financial and non-financial items carried at fair value

20.2.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2013.

20.2.2 Fair value of the Company's financial assets that are measured at fair value on recurring basis

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	**30 June 2014 AED (unaudited)**	**Fair value as at 31 December 2013 AED (audited)**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Quoted equity securities – FVTOCI	**8,658,171**	22,016,828	Level 1	Quoted bid prices in an active market.	None.	NA
Quoted funds FVTOCI	**10,517,608**	10,196,714	Level 1	Quoted bid prices in an active market.	None.	NA

Notes to the condensed financial statements
for the period ended 30 June 2014 (continued)

20. Fair value measurements (continued)

20.2 Fair value of financial and non-financial items carried at fair value (continued)

20.2.2 Fair value of the Company's financial assets that are measured at fair value on recurring basis (continued)

Financial assets	**30 June 2014 AED (unaudited)**	**Fair value as at 31 December 2013 AED (audited)**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Unquoted equity securities – FVTOCI	**42,350**	42,350	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.

20.2.3 Fair value measurements recognised in the condensed statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the condensed financial statements
for the period ended 30 June 2014 (continued)

20. Fair value measurements (continued)

20.2 Fair value of financial and non-financial items carried at fair value (continued)

20.2.3 Fair value measurements recognised in the condensed statement of financial position (continued)

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
30 June 2014 (unaudited)				
Investments at FVTOCI				
Quoted equities	**8,658,171**	**-**	**-**	**8,658,171**
Quoted funds	**10,517,608**	**-**	**-**	**10,517,608**
Unquoted equities	**-**	**-**	**42,350**	**42,350**
Investment property	**-**	**-**	**179,669,600**	**179,669,600**
	19,175,779	**-**	**179,711,950**	**198,887,729**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2013 (audited)				
Investments at FVTOCI				
Quoted equities	22,016,828	-	-	22,016,828
Quoted funds	10,196,714	-	-	10,196,714
Unquoted equities	-	-	42,350	42,350
Investment property	-	-	179,669,600	179,669,600
	32,213,542	-	179,711,950	211,925,492

There were no transfers between each of level during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

Notes to the condensed financial statements for the period ended 30 June 2014 (continued)

21. Seasonality of results

No income of seasonal nature was recorded in the statement of income for the six month period ended 30 June 2014 and 2013.

22. Impact of the change in accounting policy for the condensed statement of income as at 30 June 2013

At 31 December 2013, the Company changed its accounting policy for commission expenses and commission income with retrospective effect. Prior to the change in accounting policy, commission expenses and commission income were recognized in statement of income, in the period in which the insurance contract was written or reinsurance contract ceded. The change in accounting policy resulted in commission expenses and commission income being deferred over the effective life of the insurance contracts written or reinsurance contracts ceded.

The impact of the change in accounting policy on the results for six month period ended 30 June 2013 was to increase the profit by AED 12,569 (see note 25).

23. Change in accounting estimate

Management has changed the basis adopted for calculating the premium reserve with effect from 31 December 2013 for general insurance. This reserve is calculated based on the age of the policy (1/365). Management had previously used the 25% and 40% method to assess the reserve requirements in prior years. The reason for change was to achieve more accurate estimate in line with the nature of this reserve.

The impact of change in accounting estimate on the results for six month period ended 30 June 2013 was to decrease the profit by AED 1,902,693 (see note 25).

24 Impact of the correction of premium recognized in the prior period

The Company had issued certain medical policies having effective dates as of 1st July 2013. Premium revenue for these policies was booked as at June 30, 2013, without considering the un-earned premium against these policies due to the difference in the effective date and the booking date. The correction of the above in the results for the three months period and six months period ended June 30, 2013 is to reduce the profit for that period by AED 1,088,695.

This correction does not have any impact of the calculation of un-earned premium of prior periods or in the statement of financial position and profit for the year ended 31 December 2013.

Notes to the condensed financial statements for the period ended 30 June 2014 (continued)

25 Impact of the change in accounting policy/estimate for the condensed income statement

The condensed financial statements for the six month period ended 30 June 2013 were issued prior to change in accounting policy and accounting estimate. Accordingly the comparative information for 2013 has been restated as follows:

	As previously reported		Restatements		Restated	
	Three month period ended 30 June 2013 AED (unaudited)	Six month period ended 30 June 2013 AED (unaudited)	Three month period ended 30 June 2013 AED (unaudited)	Six month period ended 30 June 2013 AED (unaudited)	Three month period ended 30 June 2013 AED (unaudited)	Six month period ended 30 June 2013 AED (unaudited)
Net change in deferred acquisition cost	-	-	588,647	12,569	(576,078)	12,569
Net change in un-earned premium due to change in accounting estimate	(662,528)	57,948	435,840	(1,902,693)	(226,688)	(1,844,745)
Net change in un-earned premium due to correction of premium (see Note 24)	-	-	(1,088,695)	(1,088,695)	(1,088,695)	(1,088,695)
Profit for the period	12,404,871	25,969,967	(64,208)	(2,978,819)	12,340,663	22,991,148
Basic earnings per share (AED)	12.41	25.97	(0.06)	(2.99)	12.34	22.99

The impact of the above on the profit of the three month period ended 31March 2013 reported in the condensed financial statements for the three month period ended 31 March 2014 are as follows:

	As previously reported AED (unaudited)	Restatements AED (unaudited)	Restated AED (unaudited)
Net change in deferred acquisition cost	-	(576,078)	(576,078)
Net change in un-earned premium due to change in accounting estimate	(604,580)	(2,338,533)	(2,943,113)
Profit for the period	13,565,096	(2,914,611)	10,650,485
Basic earnings per share (AED)	13.57	(2.92)	10.65

26. Approval of the condensed financial statements

The condensed financial statements were approved and authorised for issue on 7 August 2014.